DEPARTMENT OF ENVIRONMENT AND RESOURCE MANAGEMENT

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2000

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

Phone: (306) 787-6398
Fax: (306) 787-6383
Internet e-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Resource Protection and Development Revolving Fund as at March 31, 2000 and the statements of operations and accumulated operating surplus/(deficit), and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
September 26, 2000

Fred Wendel, CMA, CA
Acting Provincial Auditor

Statement 1

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
BALANCE SHEET
As at March 31

	2000	1999
ASSETS		
Current:		
Accounts receivable (Note 11)	$ 49,698	$ 64,943
Inventories	265,362	291,043
Prepaid expenses	44,942	45,706
	360,002	401,692
Capital assets (Note 5)	1,993,147	2,199,671
	$ 2,353,149	$ 2,601,363
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Note 11)	$ 193,806	$ 142,922
Unearned revenue	2,855	—
	196,661	142,922
Non-current liabilities:		
Accumulated net expenditure (Statement 3 and Note 11)	1,971,936	2,163,134
Fund equity:		
Accumulated operating surplus (Statement 2)	184,552	295,307
	$ 2,353,149	$ 2,601,363

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/(DEFICIT)
For the Period ending March 31

	Budget 2000	Actual 2000	Actual 1999
Revenues:			
Spruce budworm program (Note 6)	$ 2,050,000	$ 1,887,928	$ 2,289,836
Radio communications	1,410,000	1,458,914	1,864,198
Equipment rental and recoveries	217,467	246,866	241,734
Staff housing	106,710	111,432	116,527
Northern air operations	60,000	46,022	122,989
Other	—	30,303	16,687
Grants from Government of Canada	—	—	5,401
	3,844,177	3,781,465	4,657,372
Expenses:			
Contractual services	2,302,310	2,175,492	2,588,552
Salaries	906,512	964,566	993,493
Amortization	338,955	309,146	348,338
Materials & supplies	245,400	274,402	256,541
Travel & sustenance	51,000	72,641	66,373
Other	—	666	150
	3,844,177	3,796,913	4,253,447
Net (loss)/income (Notes 7 and 12)	$ —	(15,448)	403,925
Accumulated operating surplus(deficit), beginning of year		295,307	(108,618)
Transfer to General Revenue Fund (Note 4)		(95,307)	—
Accumulated operating surplus end of year(Statement 1)		$ 184,552	$ 295,307

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Period ending March 31

	2000	1999
Financing (provided by) required for operating activities:		
Net loss/(income)	$ 15,448	$ (403,925)
Items not affecting working capital		
-amortization	(309,146)	(348,338)
-gain on disposal of capital assets	26,958	9,571
Net increase(decrease) in working capital items related to operations (Note 8)	(95,429)	90,138
	(362,169)	(652,554)
Financing (provided by) required for investing activities:		
Purchase of capital assets	135,321	370,473
Proceeds from sale of capital assets	(59,657)	(62,334)
	75,664	308,139
Financing activities:		
Payment to the General Revenue Fund (Note 4)	95,307	—
Net decrease in financing requirements	(191,198)	(344,415)
Accumulated net expenditure, beginning of year	2,163,134	2,507,549
Accumulated net expenditure, end of year (Statement 1)	$ 1,971,936	$ 2,163,134

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2000

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 19 of *The Natural Resources Act*. The purpose of the Revolving Fund is to provide resource protection and development services.

2. Significant Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 8. The following accounting policies are considered significant.

a) Net Expenditure/(Recovery)

The net expenditure/(recovery) is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Fund includes the following:

i) net expenditure/(recovery) for each fiscal year; and

ii) the book value of assets acquired at no charge from another government agency.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

d) Revenue recognition

Amounts received under contractual agreements are recognized as revenue in the year in which the related expenses are incurred. Amounts received before expenses are incurred are shown as unearned revenue.

e) Capital Assets

Amortization is calculated on the straight line basis. Annual rates are from 5% to 33% for construction equipment and 8% for radio communication.

3. Authorized Financing

Subsection 19(9) of *The Natural Resources Act* specifies that the maximum balance amount of accumulated net expenditure which may be outstanding at any time will be set by order of the Lieutenant Governor in Council. A maximum amount of $5,500,000 was established by Order in Council 515/94.

4. Disposition of Accumulated Operating Surplus or Deficit

In accordance with Subsection 19(4) of *The Natural Resources Act*, the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus/deficit for the Revolving Fund shall be $200,000. Treasury Board has also specified that if at the end of a fiscal year, the accumulated surplus/deficit exceeds the maximum, then any surplus/deficit in excess of the maximum shall, as soon as possible after the close of the fiscal year be paid to/from the General Revenue Fund. In 1999/00 $95,307 surplus was paid to the General Revenue Fund.

However, if any deficit is in fact a subsidy and not a deficit due to business fluctuations, it must be recovered from the General Revenue Fund (Department of Environment and Resource Management's appropriation) in the same year. The Department budgets for a subsidy to the Revolving Fund in the same year that the deficit is expected to occur.

5. Capital Assets

	2000			1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment rental	$ 3,832,468	$ 2,414,523	$ 1,417,945	$1,532,300
Radio communications	2,727,356	2,174,136	553,220	667,371
Northern air operations	25,885	3,903	21,982	—
	$ 6,585,709	$ 4,592,562	$ 1,993,147	$ 2,199,671

6. Spruce Budworm Control Program

The Department provides services to forestry companies under a 3-year agreement to control and monitor spruce budworms in designated areas. During the year, the Department received $1,890,560 (1999-$2,225,000) from forestry companies and spent $1,887,928 (1999-$2,289,836) on the program.

7. Segmented Information

	2000			1999
	Revenues	Expenses	Net Income/ (loss)	Net Income/ (loss)
Radio communications	$ 1,458,914	$ 1,480,705	$ (21,791)	$ 365,318
Equipment rentals	246,866	213,937	32,929	57,800
Staff housing	111,432	145,347	(33,915)	15,899
Northern air operations	46,022	42,669	3,353	(35,092)
Spruce budworm program	1,887,928	1,887,928	—	—
Other	30,303	26,327	3,976	—
	$ 3,781,465	$ 3,796,913	$ (15,448)	$ 403,925

8. Net Change in Working Capital Items Related to Operations

	2000	1999
(Decrease)increase in accounts receivable	(15,245)	13,771
(Decrease)increase in inventories	(25,681)	18,523
(Decrease) in prepaid expenses	(764)	(14,765)
(Increase)decrease in accounts payable and accrued liabilities	(50,884)	7,773
(Increase)decrease in unearned revenue	(2,855)	64,836
	$(95,429)	$90,138

9. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. Rates charged by the Revolving Fund for services are calculated to recover costs incurred. These transactions, and amounts outstanding at year end, are as follows:

Category	2000	1999
Revenue	$1,687,058	$2,135,503
Expenses	252,360	190,281
Accounts payable and accrued liabilities	8,158	12,076
Accounts receivable	42,418	39,989

In addition, the Revolving Fund pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

12. Amount Reported in Public Accounts

The net expense/recovery of the Revolving Fund reported in Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2000	1999
Net (loss)/income	$ (15,448)	$ 403,925
Decrease (increase) in inventory	25,681	(18,523)
Decrease in net capital assets	206,524	30,629
Payment to General Revenue Fund(Note 4)	(95,307)	—
Amounts not included in Public Accounts due to timing	568	(61,624)
Net recovery reported in Public Accounts	$ 122,018	$ 354,407